



# ROLE OF SHG IN FINANCIAL INCLUSION: A STUDY OF FINANCIAL EMPOWERMENT OF WOMEN THROUGH SELF-HELP GROUP

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## ABSTRACT

Financial inclusion is the process of ensuring that vulnerable groups, such as those who are economically and socially weaker parts and low income groups, have access to the necessary financial products and services in a fair and transparent manner from official financial institutions. Financial inclusion is a fundamental requirement for a nation's economy to advance. However, the majority of people in the majority of poor nations lack basic financial literacy. One practical method for financial inclusion, particularly in rural areas, is the self-help group. Self-Help Groups (SHGs) are informal, small groups of people who come from similar socioeconomic backgrounds. They gather for the objective of using mutual and self-help to resolve their shared issues. The SHG encourages its members to make modest savings. One bank is where the savings are kept. The SHG is the name of this shared fund. The main objective of this study is to find out and understand the role of SHG in financial inclusion of women. Primary data has been collected by random sampling method through structured interview schedule. For which 104 SHG members from Hawalbagh block of Almora district have been included as participants. Data has been analyzed by percentage method and research hypotheses have been tested by chi-square test. The results show that SHG has greatly facilitated women's access to financial services and played a significant role in their economic empowerment.

**KEYWORDS:** Financial Inclusion, Financial Literacy, Financial Decision, Women Empowerment, Financial Empowerment, Self-help Group.

## INTRODUCTION

To achieve inclusive growth, financial inclusion is a significant tool. Financial inclusion is the process of ensuring that vulnerable groups, such as those who are economically and socially weaker parts and low income groups, have access to the necessary financial products and services in a fair and transparent manner from official financial institutions. In addition to accelerating economic growth, better access to banking and related services also helps to combat poverty and income inequality.

Economic development is both a cause and an effect on financial inclusion. The economic development will be greater the more people have access to financial services. However, increased economic growth also increases financial inclusion. Everybody will have the chance to take part in and gain from developmental activities given the chances it will create. In the current environment for inclusive growth and development of economies, financial inclusion is one of the most crucial factors. The phrase "financial inclusion" was first used in British dictionaries after it was discovered that around 7.5 million people lacked a bank account. The idea of financial inclusion is not a new one in the Indian economy, though. The RBI took actions to give financial accessibility to the unbanked groups, including the founding of RRBs, the nationalisation of banks in 1969, and the launch of SHG-bank linkage programmes. Financial inclusion was described by the committee on financial inclusion headed by Dr. C. Rangarajan as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." Financial inclusion does not imply providing financial services to everyone at all costs. However, it refers to the provision of

financial services and products at reasonable pricing to underprivileged and socially excluded populations. It is essential for getting rid of poverty in the nation. Financial inclusion aims to give a sizable portion of the population equal access to mainstream financial services for a higher quality of life, standard of living, and income. It offers a way to achieve inclusive growth. The provision of accessible financial services through the established financial systems to individuals who are excluded, including saving, credit, insurance, access to payments, and remittance facilities, is known as financial inclusion. Therefore, access to a wide range of financial products and services at reasonable prices is referred to as financial inclusion. It also includes other financial services including loan, equity, and insurance goods in addition to banking products

In India, there is a dearth of financial literacy. Given that the majority of women in India are homemakers, it is very common for them to be prohibited from making any kind of financial decisions. This indicates that women are contributing less to the workforce and that their level of empowerment is quite low. The traditional character of Indian society makes it very difficult for women to make any financial decisions. This may be because women are unaware of the savings and investing opportunities available through banks and other financial institutions. Lack of female literacy in India is another factor contributing to women's low financial inclusion. Because they are financially dependent on men, women in rural areas are not included in the financial system. In rural India, women work full-time occupations without receiving any compensation. In India, men often make all types of financial decisions. Despite the fact that women work, the majority of financial decisions in a household are made by the males.

### SHG movement in India

With the introduction of the Self-Help Group (SHG) and Bank Linkage Programme (SBLP) in 1992, the microfinance activities were stepped up. SHGs are developing into effective middlemen at the local level. They permit voluntary savings, and they employ the funded surplus for intragroup lending. SHGs serve as banks' commercial correspondents to increase financial inclusion. By offering financial services based on need, they assist the underprivileged. A comprehensive social shift in the same region or villages has been sparked by the SHG movement effort with NABARD. A SHG can be formed in a community or village with a minimum of 10 people, preferably women. They put money away on a regular basis, and the funds are placed in the bank under the name of SHG. For members' immediate needs, 25% of the savings are used. The meetings are open to all members, and it is at the meetings that decisions are made. A female member usually serves as the SHG's chairman. Lending to these SHGs is done by banks. In light of this, SHGs have helped the women become more independent, self-assured, and aggressive. They are also happier in their work and leisure activities and are looking for excitement, adventure, and contentment.

### LITERATURE REVIEW

**Pushpa Sinha (2010)**, "Impact of Micro Finance in Poverty Alleviation and Socioeconomic Empowerment of Rural Women". In her study stated that the new economy, microfinance is proving to be a potent tool for reducing poverty. Self Help Group (SHGs)-Bank Linkage Programme is the industry standard in India for providing financial services to the Unreached Poor. This programme has been successful in meeting the financial needs of rural poor women while also enhancing the collective self-help capacities of the poor, which results in their empowerment.

**Rangarajan (2008)** In order to reduce poverty and promote social cohesiveness, the poor and vulnerable groups must provide financial support. Financial inclusion aims to expand the organised financial system's activity to include low-income individuals within its purview. In order to move them from one level to another and help them escape poverty, progressive credit must be used.

**Mahendra Varman. P(2005)**, in a study title, "Impact of Self Help Groups on formal banking Habits", examines whether there is a relationship between the rise in female bank deposit accounts and the creation of self-help groups, as well as whether these groups tend to affect individual households' account holding in formal banks. The data also shows that participating in self-help groups and, more crucially, having leadership experience in these groups, have a significant impact on the ownership of bank accounts. An individual's banking practises would also improve with leadership experience in self-help groups.

**Gaonkar (2001)** "Working and Impact of Self-Help Groups in Goa", Data was gathered for this purpose from five women's SHGs in Goa's Bardez and Bicholim taluks. According to the study, SHGs had a long-lasting effect on the lives of the poor, improving their standard of living in terms of income growth, savings, consumption expenditure, self-confidence, productive use of free time, access to opportunities to develop hidden talents, and increased status within the family. It was discovered that personal loans were repaid in full and were typically used for constructive reasons. According to the study's findings, the SHG movement might greatly help lower poverty and unemployment rates in the rural economy.

### OBJECTIVE OF THIS STUDY

- To know the functioning of SHGs in relation to financial inclusion of women.
- To analyses to personal profiles of women members of SHGs.
- To assess the role of SHG in financial inclusion of women.

### Hypothesis

- H<sub>01</sub>:** There is no significance relationship between financial inclusion of women and their membership in the SHG.
- H<sub>02</sub>:** There is no significance relationship between living standard of women and membership of SHG.

### RESEARCH METHODOLOGY

#### Source of data and tools of data collection

Collection of data is an essential function for the source. For this research, data has been collected from both primary and secondary sources. Primary data has been collected from Almora district while secondary data has been collected from various magazines, research papers, websites etc. Primary data has been collected through structured interview schedule.

#### Sampling and sample size

Almora district consists of 11 blocks out of which data has been collected from women self-help groups of Hawalbagh block. Simple random sampling method has been used to sample the respondents from self-help group members. Data has been collected from a total of 104 women SHG members for the study.

#### Analysis of data

Simple percentage, tables and relevant techniques are used to analyse the data and Chi-square test are used testing the hypothesis of the study.

#### Data Analysis

Table 1 displays the information related to the unique profiles of the SHG members. 21% of the women in the study were between the ages of 21 and 30, 38% between the ages of 31 and 40, 31% between the ages of 41 and 50, and 10% were over the age of 50. This demonstrates that SHGs are related with women across all age groups. 21% of the group's female members were illiterate, while 47% had completed elementary school, 17% had finished high school, 8% had completed intermediate school, 5% had graduated, and 2% had earned an undergraduate degree or another type of education. It demonstrates that all women, from those with little education to those with a lot, are a part of the groups. The groups' female members are all married.

Variable	Category	Frequency	Percentage
Age	18-20	0	0
	21-30	22	21
	31-40	39	38
	41-50	32	31
	Above 50	11	10
	<b>Total</b>	<b>104</b>	<b>100</b>
Education	Illiterate	22	21
	Primary	49	47
	High school	18	17
	Intermediate	8	8
	Graduation	5	5
	Other	2	2
	<b>Total</b>	<b>104</b>	<b>100</b>
Marital status	Married	104	100
	Unmarried	0	0
	<b>Total</b>	<b>104</b>	<b>100</b>

Source: Primary data

Table 1: General characteristic of the respondent.

S. No.	Statement	No. of respondent	Percentage
a	Save regularly	100	96
b	To contribute household income	76	73
c	To do any self-job	70	67
d	Social upliftment	39	38
e	Personal welfare	49	47
f	Any other purpose	12	11
	Total	104	100

Source: primary data

**Table 2: Main purpose of joining of SHG**

The table 2 show the opinion for joining the self-help group as a member. That data show that 96% of the members joining to enriching the saving, 73% members joining the SHG for contribute household income, 67% members purpose to joining the SHG is to do any self-job, 38% were social upliftment and 47% member for personal welfare and 11 % women's are joining the SHG for any other purpose. It is concluded that most of the respondents are joining the SHG for saving purpose.

S. No.	income increased	frequency	percentage
a	Yes	102	98
b	No	2	2
Total		104	100

Source: primary data

**Table 3: Regarding income**

The primary reason rural women join SHGs is to provide financial support for their families. They wish to boost their income by engaging in some sort of money-generating activity with the aid of the shg. Table 3 displays the members' perceptions of how joining SHG has affected their family's income. 98% of respondents affirm that their family's income grew as a result of joining the SHG, while 2% disagree.

S.No.	used to the increased income	frequency	percentage
a	For day to day family requirement	85	82
b	For education of children's	89	85
c	For purpose of saving	79	76
d	For business purpose	28	27
e	For the purpose of house renovation	20	19
f	For purchasing assets	5	4
g	For loan repayment	40	38

Source: primary data

**Table 4: expenditure pattern of respondent**

Never can generation or income growth serve as the only determinant of economic progress or higher standards of living. Actually, what matters more is how you use the money you make to live a good life. Table 4 demonstrates how respondents can spend their increased money. 82% of respondents said they boosted their income to meet daily needs for their families, 85% said they did so for their children's education, 76% said they saved for business purposes, 19% said they renovated their homes, 4% said they bought assets, and 38% said they paid off loans. It was determined that the majority of respondents used their additional income to pay for their children's education, savings goals, family Daley needs, and loan repayment.

S. No.	Saving	Frequency	percentage
a	Yes	104	100
b	No	0	0
	Total	104	100

Source: primary data

**Table 5: saving.**

A member's ability to save not only enables him to apply for a

loan, but it also gives him the chance to encourage the availability of microloans for the other SHG members. Table 5 showed whether or not members are saving. Everyone in the group admitted to saving money.

S. No.	where	frequency	percentage
a	Bank	91	88
b	Post office	11	10
c	Cash	14	13
d	Life insurance	10	10
e	self-help group	104	100
f	Other	1	1

Source: primary data

**Table 6: where do you save**

The primary reasons a member joins a SHG is to routinely save money. The members are saving in locations other than SHG as well. Table 6 shows that 88% of respondents save money in banks, 10% in post offices, and 13% at home in cash, 10% buy life insurance, 100% in SHGs, and 1% are saved somewhere else.

S. No.	Purpose	Frequency	Percentage
a	social security	55	53
b	Food security	60	58
c	Children's education	90	86
d	Medical	60	58
e	Marriage	28	27
f	Festival	19	18
g	Emergencies	61	59
h	Agricultural	57	55
i	Assets building	11	10
j	Self-respect	21	20

Source: primary data

**Table 7: saving purpose**

Saving is an investment in your future security. The table 7 demonstrates how different each person's saving goals are. The table displays many aspects of the respondent's savings. 53 percent of Americans are saving for social security, 58 percent for food security, 86 percent for children's education, 58 percent for medical expenses, 27 percent for marriage, 18 percent for holidays, 59 percent for emergencies, 55 percent for agriculture, 10 percent for asset building, and 20 percent for self-respect.

### Hypothesis testing

The null hypothesis of this study were framed and significance these were tested with the help of Chi-square test with the 5% level of significance.

The hypothesis was tested with the help of Chi-square test and the results are presented in the table no.8 and table no. 9

- $H_{01}$ : There is no significance relationship between financial inclusion of women and their membership in the SHG.

variable	Calculated value	Table value	DF	Significance
Access to financial services	67.56378	16.9	9	significance

Source: primary data

**Table 8: financial inclusion and membership of SHG**

Thus in statistical analysis chi-square test proves it to be significant and it rejects null hypothesis at 5% level of significance. Which show that there is a significant relationship between the financial inclusion of women and the membership of SHG and SHG play an important role in financial inclusion.

- H<sub>02</sub>: There is no significance relationship between living standard of women and membership of SHG.

variable	Calculated value	Table value	DF	Significance
Change in Living standard	159.8239	16.9	9	significance

Source: primary data

**Table 9: living standard and membership of SHG**

Thus in statistical analysis chi-square test proves it to be significant and it rejects null hypothesis at 5% level of significance. Which show that there is a significant relationship between living standard of women and membership of SHG and SHG play an important role in increasing their living standard.

## CONCLUSION

The study concluded that SHG has played a significant role in financial empowerment of women and SSG has increased the access of women to financial facilities and their financial literacy. SSC has played an important role in increasing the financial inclusion in the society as SHG has connected women with banking facilities, it has encouraged women to save regularly, it has provided them easy access to finance when they need it, and their Contributed significantly to increase in income. SHG has played an important role in the economic empowerment of women of every section of the society. The results clearly show that SHGs have played a significant role in the economic empowerment of women, leading to a significant improvement in the standard of living of women and a greater self-esteem for her and her family. For the overall empowerment of women, their economic empowerment is important because economic empowerment is the basis of their overall development. Thus it is clear that SHGs have played an important role in the economic empowerment of women and increasing financial inclusion in the society.

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